

Program A: Financial Institutions

Program Authorization: R.S. 6:1-138; 6:201-550; 6:641 et seq.; 6:701-950.8; 6:970-974; 6:1031-1053; 6:1081 et seq.; 6:1111; 6:1121 et seq.; 6:1131 et seq.; 9:2130; 9:3510 et seq.; 36:101(c); 36:108(c); 37:1781-1809; 51:361-371; 51:701-724; 51:1921 et seq.; 51:2386 et seq.

PROGRAM DESCRIPTION

The mission of the Financial Institutions Program is to charter, license, and supervise those entities under its jurisdiction in order to protect the public interest and enhance confidence in the financial services industry.

The goals of the Financial Institutions Program are:

1. Provide effective, efficient, proactive supervision to all entities under OFI's jurisdiction.
2. Provide effective, efficient support, direction, and management to various OFI division and external constituents.

The Financial Institutions Program includes the following activities:

1. Executive Administration – The management arm of the agency, providing direction to the three other activities. Overall agency management, human resources, information systems, and other support functions reside in this activity. Through, the Executive Administration Activity, the Office of Financial Institutions encourages the economic growth and the expansion of commerce and industry.
2. Depository Institutions – Through the Depository Institutions Activity, the program regulates all state-chartered depository institutions including banks, savings banks, savings and loan associations, their respective holding companies, and credit unions. OFI's banking division has been accredited by the Conference of State Bank Supervisors since 1989; the 14th of 44 state banking departments to receive accreditation. Credit Unions – The credit union division is 1 of only 22 state credit union regulatory departments accredited by the National Association of State Credit Union Supervisors; accreditation was received in 1995.
3. Non-Depository Institutions – Through the Nondepository Institutions Activity, the program is responsible for registering, licensing, and regulating licensed lenders, pawn brokers, collection agencies, loan brokers, credit repair service organizations, bond for deed escrow agents, sellers of checks, and retail sales finance businesses which are required to file notification with OFI.
4. Securities – Through the Securities Activity, all securities offerings, agents, broker dealers, and investment advisors are also regulated through the Securities Activity. Business and Industrial Development Corporations (BIDCO's) and Certified Louisiana Capital Companies (CAPCO) are also regulated through the securities activity.

GENERAL PERFORMANCE INFORMATION: TOTAL REVENUES COLLECTED					
PERFORMANCE INDICATOR	PRIOR YEAR ACTUAL FY 1994-95	PRIOR YEAR ACTUAL FY 1995-96	PRIOR YEAR ACTUAL FY 1996-97	PRIOR YEAR ACTUAL FY 1997-98	PRIOR YEAR ACTUAL FY 1998-99
Total revenues collected	\$13,177,636	\$13,719,175	\$14,367,347	\$15,176,387	\$15,628,778
Percentage of revenue expended	49.2%	46.6%	45.2%	42.6%	40%
Total cost of operations	\$6,480,568	\$6,391,373	\$6,499,229	\$6,407,957	\$6,258,070

OBJECTIVES AND PERFORMANCE INDICATORS

Unless otherwise indicated, all objectives are to be accomplished during or by the end of FY 1999-2000. Performance indicators are made up of two parts: name and value. The indicator name describes what is being measured. The indicator value is the numeric value or level achieved within a given measurement period. For budgeting purposes, performance indicator values are shown for the prior fiscal year, the current fiscal year, and alternative funding scenarios (continuation budget level and Executive Budget recommendation level) for the ensuing fiscal year (the fiscal year of the budget document).

The objectives and performance indicators that appear below are associated with program funding in the Base Executive Budget for FY 2000-01. Specific information on program funding is presented in the financial sections that follow performance tables.

1. (KEY) Through the Depository Institutions activity, to proactively supervise 100% of state chartered depository institutions by conducting 100% of scheduled examinations, reporting the examination results within one month of receipt of the draft report, and acting on complaints within 10 days of receipt.

Strategic Link: Ties to the Office of Financial Institutions Strategic Plan objective I.1, to accomplish same through 2003.

Explanatory Note: The Depository Institutions activity currently provides supervision to 153 banks/thrifts and 65 credit unions.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Percentage of examinations conducted as scheduled -banks/thrifts	95%	104%	95%	95%	95%	95%
K	Percentage of examinations conducted as scheduled - credit unions	100%	89%	100%	100%	100%	100%
K	Percentage of examination reports processed within one month - banks/thrifts	90%	96%	90%	90%	90%	90%
K	Percentage of examination reports processed within one month - credit unions	90%	96%	90%	90%	90%	90%
S	Number of examinations conducted - banks/thrifts	67	59	70	70	85	78 ¹
S	Number of examinations conducted - credit unions	64	58	63	63	62	62
K	Percentage of complaints acted upon within 10 days - banks/thrifts	Not applicable ²	96%	96.7%	96.7%	96.6%	96.6%
K	Percentage of complaints acted upon within 10 days - credit unions	Not applicable ²	100%	100%	100%	100%	100%
S	Number of complaints received - banks/thrifts	Not applicable ²	59	60	60	60	45
S	Number of complaints received - credit unions	Not applicable ²	6	6	6	5	6
S	Total assets regulated (in millions) ³	Not applicable ³	\$17.6	Not applicable ³	\$17.3	\$18.8	\$18.8

¹ Includes 69 examinations of banks and 9 examinations of thrifts.

² New indicator added for FY 1999-2000, therefore the indicator has no yearend standard for FY 1998-1999.

³ New indicator added for FY 2000-2001, therefore the indicator has no yearend standard for FY 1998-1999 or an Act 10 standard for FY 1999-2000. This indicator was formerly broken out into two indicators reflecting the "Total assets regulated -banks/thrifts" and "Total assets regulated - credit unions", this information is now being reported as one figure.

2. (KEY) Through the Nondepository activity, to proactively supervise 100% of nondepository financial services providers by conducting 100% of scheduled examinations, investigating 100% of reports of unlicensed operations within 10 days, and acting upon written complaints within 30 days.

Strategic Link: *This objective ties to the Office of Financial Institutions Strategic Plan objective 1.3, to accomplish same through 2003.*

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Percentage of scheduled examinations conducted	100%	100%	100%	100%	100%	100%
S	Total number of examinations scheduled	1,802	1,104	1,471	1,471	1,324	1,324
S	Total number of active registrants	5,501	5,726	6,007	7,107 ¹	7,952	8,152
K	Percentage of investigations conducted within 10 days of companies reported to be operating unlicensed	Not applicable ²	100%	100%	100%	100%	100%
K	Percentage of companies closed or license not required	64%	80%	85%	85%	85%	69.3%
S	Percentage of investigated companies licensed	36%	20%	15%	15%	15%	30.7%
S	Total number of companies reported to be operating unlicensed	382	65	92	92	151	110
K	Total number of violations cited	4,987	1,762	5,205	5,205	1,598	2,698
K	Total monies refunded or rebated to consumers from cited violations	\$104,000	\$41,859	\$104,850	\$104,850	\$44,000	\$101,000
K	Percentage of written complaints acted upon within 30 days	100%	100%	100%	100%	100%	100%
S	Total number of written complaints received	193	171	137	137	340	162
K	Total amount of refunds or rebates to consumers resulting from complaints	\$15,000	\$17,058	\$27,000	\$27,000	\$39,700	\$23,200

¹ Reflects August 15th adjustment.

² New indicator added for FY 1999-2000, therefore the indicator has no yearend standard for FY 1998-1999.

3. (KEY) Through the Nondepository activity's Consumer Credit Education Fund, to provide toll-free access to information regarding the regulation of Louisiana nondepository entities to 100% of Louisiana residents and nondepository financial services providers.

Strategic Link: *This objective ties to the Office of Financial Institutions Strategic Plan objective II.1, to accomplish same through 2003.*

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Number of phone calls received from consumers and lenders on toll-free line	1,000	1,694 ¹	4,194	4,194	2,000	2,000

¹ The average cost per call in FY 1998-1999 was \$.52 cents.

4. (KEY) Through the Securities activity, to continue to conduct compliance examinations and investigations, where warranted, of 100% of registered Broker Dealers and Investment Advisors located in the State of Louisiana as scheduled in cooperation with federal regulators.

Strategic Link: This objective ties to the Office of Financial Institutions Strategic Plan objective 1.4, to accomplish same through 2003.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Percentage of compliance examinations conducted of Louisiana broker dealers and investment advisors	100%	100%	100%	100%	100%	100%
S	Number of broker dealers and investment advisors located in Louisiana	200	210	140	140	210	210
S	Number of new complaints alleging violations reported	Not applicable ¹	45	30	30	48	48
S	Number of investigations ²	20	29	20	20	20	24
S	Number of enforcement actions initiated	4	1	4	4	4	4

¹ New indicator added for FY 1999-2000, therefore the indicator has no yearend standard for FY 1999-2000.

² Includes all active investigations, including those initiated in prior years that are still active.

5. (KEY) Through the Securities activity, to process 100% of all applications for licenses and requests for authorization of offerings within 30 days of receipt.

Strategic Link: *This objective ties to the Office of Financial Institutions Strategic Plan objective to accomplish same through 2003.*

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Number of applications for licenses received for investment advisors, broker dealers, and agents	65,100	83,257	Not applicable ¹	63,934	74,200	80,000

¹ This indicator did not appear in Act 10, therefore the indicator has no Act 10 standard.

RESOURCE ALLOCATION FOR THE PROGRAM

	ACTUAL 1998-1999	ACT 10 1999- 2000	EXISTING 1999- 2000	CONTINUATION 2000 - 2001	RECOMMENDED 2000 - 2001	RECOMMENDED OVER/(UNDER) EXISTING
MEANS OF FINANCING:						
STATE GENERAL FUND (Direct)	\$0	\$0	\$0	\$0	\$0	\$0
STATE GENERAL FUND BY:						
Interagency Transfers	0	0	0	0	0	0
Fees & Self-gen. Revenues	6,257,254	7,086,237	7,086,237	7,111,048	6,979,378	(106,859)
Statutory Dedications	818	4,500	4,500	4,500	4,500	0
Interim Emergency Board	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
TOTAL MEANS OF FINANCING	<u>\$6,258,072</u>	<u>\$7,090,737</u>	<u>\$7,090,737</u>	<u>\$7,115,548</u>	<u>\$6,983,878</u>	<u>(\$106,859)</u>
EXPENDITURES & REQUEST:						
Salaries	\$4,179,209	\$4,572,517	\$4,523,588	\$4,641,180	\$4,737,871	\$214,283
Other Compensation	46,120	74,707	74,707	74,707	74,707	0
Related Benefits	744,300	814,911	863,840	880,009	912,130	48,290
Total Operating Expenses	930,208	1,107,496	1,107,496	1,104,477	796,765	(310,731)
Professional Services	13,440	140,072	140,072	142,873	139,904	(168)
Total Other Charges	249,163	255,996	255,996	256,338	263,109	7,113
Total Acq. & Major Repairs	95,632	125,038	125,038	15,964	59,392	(65,646)
TOTAL EXPENDITURES AND REQUEST	<u>\$6,258,072</u>	<u>\$7,090,737</u>	<u>\$7,090,737</u>	<u>\$7,115,548</u>	<u>\$6,983,878</u>	<u>(\$106,859)</u>
AUTHORIZED FULL-TIME						
EQUIVALENTS: Classified	116	112	115	115	115	0
Unclassified	1	1	1	1	1	0
TOTAL	<u>117</u>	<u>113</u>	<u>116</u>	<u>116</u>	<u>116</u>	<u>0</u>

Contingent on legislation being enacted in the 1st Extraordinary Session of 2000. (1) The following activity will be transferred to the appropriate state department (s): All activities of the Office of Financial Institutions.

SOURCE OF FUNDING

This program is funded with Fees and Self-Generated Revenues and Statutory Dedications. Fees and Self-Generated Revenues are derived from fees charged to businesses and corporations of the financial industry, such as banks and branch application fees, reservation of a name, holding company assessments, special examinations, trust and transfer agent examinations, thrift mergers, branch applications, credit union assessments, investigations, corporate credit union examination, consumer credit fees, licensed lender fees, sale of checks fees, collection agency fees, consumer loan broker fees, securities, and small business administration fees, etc. The Statutory Dedications are derived from civil penalties and overcharge violations paid to the Commissioner of Financial Institutions by regulated consumer credit entities. The penalties and overcharge payments provide funding for the Statutory Dedication Louisiana Consumer Credit Education Fund. The Louisiana Consumer Credit Education Fund will be used to finance education programs for consumers and lenders concerning the provisions of the consumer credit laws. . (Per R.S. 39:32B.(8), see table below for a listing of expenditures out of each statutory dedicated fund.)

	ACTUAL	ACT 10	EXISTING	CONTINUATION	RECOMMENDED	RECOMMENDED
	1998-1999	1999- 2000	1999- 2000	2000 - 2001	2000 - 2001	OVER/(UNDER) EXISTING
	\$818	\$4,500	\$4,500	\$4,500	\$4,500	\$0

ANALYSIS OF RECOMMENDATION

GENERAL FUND	TOTAL	T.O.	DESCRIPTION
\$0	\$7,090,737	113	ACT 10 FISCAL YEAR 1999-2000
			BA-7 TRANSACTIONS:
\$0	\$0	3	Positions increase which allows the agency to comply with Act 1098 of 1999, which requires the examination of mortgage brokers and mortgage lenders beginning January 1, 2000
\$0	\$7,090,737	116	EXISTING OPERATING BUDGET – December 3, 1999
\$0	\$80,256	0	Annualization of FY 1999-2000 Classified State Employees Merit Increase
\$0	\$53,505	0	Classified State Employees Merit Increases for FY 2000-2001
\$0	(\$7,433)	0	Risk Management Adjustment
\$0	\$59,392	0	Acquisitions & Major Repairs
\$0	(\$125,038)	0	Non-Recurring Acquisitions & Major Repairs
\$0	\$203	0	Legislative Auditor Fees
\$0	(\$103)	0	UPS Fees
\$0	\$193,382	0	Salary Base Adjustment
\$0	(\$96,691)	0	Attrition Adjustment
\$0	(\$214,283)	0	Salary Funding from Other Line Items
\$0	\$2,339	0	Civil Service Fees
\$0	(\$41,669)	0	Executive Order MJF 99-52
\$0	(\$16,580)	0	Other Non-Recurring Adjustments - Computer Software
\$0	\$5,861	0	Other Adjustments - Indirect Cost Adjustment
\$0	\$6,983,878	116	TOTAL RECOMMENDED
\$0	\$0	0	LESS GOVERNOR'S SUPPLEMENTARY RECOMMENDATIONS
\$0	\$6,983,878	116	BASE EXECUTIVE BUDGET FISCAL YEAR 2000-2001
			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON SALES TAX RENEWAL:
\$0	\$0	0	None
\$0	\$0	0	TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON SALES TAX RENEWAL

			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE:
\$0	\$0	0	None
\$0	\$0	0	TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE
\$0	\$6,983,878	116	GRAND TOTAL RECOMMENDED

The total means of financing for this program is recommended at 98.5% of the existing operating budget. It represents 97.1% of the total request (\$7,192,206) for this program. The major changes reflected in the analysis of recommendation include: decreased funding for Non-Recurring Acquisitions and Major Repairs -\$125,038; decreased funding for Executive Order MJF 99-52 -\$41,669; decreased funding to adjust salaries -\$20,901; increased funding for Annualization of FY 1999-2000 merit increase \$80,256; and increased funding for Merit increases for 2000-2001 \$53,505.

PROFESSIONAL SERVICES

\$134,832	Legal services - La. Sheriff's Association v. Commissioner of Financial Institutions regarding self help repossession activities by certain regulated creditors
\$2,072	Expert witness fees
\$3,000	Training - Providing presentations on topics related to banking, thrifts, examinations, and other regulatory areas etc.
\$139,904	TOTAL PROFESSIONAL SERVICES

OTHER CHARGES

\$10,883	Legislative Auditor expenses
\$10,883	SUB-TOTAL OTHER CHARGES
	Interagency Transfers:
\$18,054	Pro-rata share of cost of operations of the Department of Civil Service
\$1,474	Pro-rata share of cost of the Comprehensive Public Training Program
\$3,185	Pro-rata share of cost of the operations of the Uniform Payroll Systems
\$213,736	Reimbursement of costs for Support Services provided by the Office of the Secretary, Economic Development
\$5,902	Investigators fees for the Background checks (completed by the Office of State Police) for licensed lenders, pawnbrokers, collection agencies, and bank board members
\$9,875	Division of Administrative Law
\$252,226	SUB-TOTAL INTERAGENCY TRANSFERS
\$263,109	TOTAL OTHER CHARGES

ACQUISITIONS AND MAJOR REPAIRS

\$59,392 Replacement of three (3) vehicles; and computer equipment necessary to meet department standards

\$59,392 TOTAL ACQUISITIONS AND MAJOR REPAIRS